

Assembly Bill No. 1471

Passed the Assembly September 13, 2001

Chief Clerk of the Assembly

Passed the Senate September 13, 2001

Secretary of the Senate

This bill was received by the Governor this _____ day of
_____, 2001, at _____ o'clock __M.

Private Secretary of the Governor

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CHAPTER _____

An act to amend Sections 14037.6 and 14068 of the Corporations Code, and to amend Section 63073 of the Government Code, relating to small business programs.

LEGISLATIVE COUNSEL'S DIGEST

AB 1471, Diaz. Economic development.

(1) The California Small Business Development Corporation Law authorizes the formation of small business financial development corporations, subject to the approval of the California Small Business Board in the Technology, Trade, and Commerce Agency, to grant loans or guarantees for the purpose of stimulating small business development. The California Small Business Expansion Fund, created under the law, provides funds to be used to pay for defaulted loan guarantees and administrative costs of these corporations. Existing law requires each corporation to undertake a program to implement its responsibilities, which requires among other things that the corporation be independent of General Fund allocations for administrative support within 4 years.

This bill would delete this requirement.

(2) The California Small Business Development Corporation Law authorizes the Director of Finance, with the approval of the Governor, to transfer moneys in the continuously appropriated Special Fund for Economic Uncertainties to the Small Business Expansion Fund for use by the California Office of Small Business Development for the purpose of making loan guarantees, as specified. These provisions are to be repealed on January 1, 2002.

This bill would extend the operation of these provisions until January 1, 2007.

This bill would also specify that no more than \$5,000,000 may be transferred pursuant to these provisions in connection with any single declared disaster, and would require the Director of Finance to provide notice of the amount of a transfer to the chairs of specified legislative committees within 30 days of the transfer.

(3) Existing law provides that the Treasurer is the elected representative of the state to approve the issuance of bonds by the California Infrastructure and Economic Development Bank, a



special purpose trust, or a sponsor pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act.

This bill would provide that the Treasurer, Governor, or the Lieutenant Governor is an elected representative of the state to approve the issuance of those bonds.

The people of the State of California do enact as follows:

SECTION 1. Section 14037.6 of the Corporations Code is amended to read:

14037.6. (a) (1) The Director of Finance, with the approval of the Governor, may transfer moneys in the Special Fund for Economic Uncertainties to the Small Business Expansion Fund for use by the Office of Small Business in the Technology, Trade, and Commerce Agency, in an amount necessary to make loan guarantees pursuant to this chapter. However, no more than five million dollars (\$5,000,000) may be transferred pursuant to this section in connection with any single declared disaster.

(2) The Director of Finance, or his or her designee, within 30 days of any transfer made pursuant to this section, shall provide notice of the amount of the transfer to the chair of the Joint Legislative Budget Committee and the chair of the committee in each house that considers appropriations.

(b) The Governor should utilize this authority to prevent business insolvencies and loss of employment in an area affected by a state of emergency throughout the state and declared a disaster by the President of the United States, or by the Administrator of the United States Small Business Administration, or by the Governor of California.

(c) This section shall remain in effect until January 1, 2007, and as of that date is repealed, unless a later enacted statute, which is enacted before January 1, 2007, deletes or extends that date.

SEC. 2. Section 14068 of the Corporations Code is amended to read:

14068. To implement its responsibilities, the corporation shall undertake a program that shall include, but not be limited to, the following:

(a) Develop and implement a program of outreach to low-resource businesses. The corporations located in rural areas



shall give priority to low-resource farmers, rural, and agriculturally related businesses.

(b) Work with other organizations and lenders to locate, identify, and assist those unable to obtain credit through conventional sources because of reasons such as low equity, inadequate collateral, unacceptable legal structure (such as a co-op or nonprofit organization), management inadequacies, and language problems.

(c) To the extent possible, bring all possible financial resources (low-interest lenders, BIDCOs, MESBICs, other guarantors, etc.) to bear on borrower's problems.

(d) Provide assistance to businesses receiving loans or guarantees that will maximize the probability of loan repayment.

(e) Develop and implement a program for increasing program resources through private sector involvement and nonstate funds.

(f) Develop a program for collecting and liquidating defaulted loans so that the corporations can qualify to become full-service lenders under the Small Business Administration. Corporations located in rural areas shall, in addition, try to qualify for lender status under the Farmers Home Administration.

(g) Become an agent for other lenders and guarantors.

SEC. 3. Section 63073 of the Government Code is amended to read:

63073. The Treasurer, the Governor, or the Lieutenant Governor is an elected representative of the state authorized to fulfill the public approval requirement of Section 147(f) of Title 26 of the Internal Revenue Code (26 U.S.C.A. Sec. 147(f)), including subsequent amendments thereto, or its successor provision, for the issuance of tax-exempt bonds issued by the bank, a special purpose trust, or a sponsor pursuant to this chapter.



Approved _____, 2001

Governor

